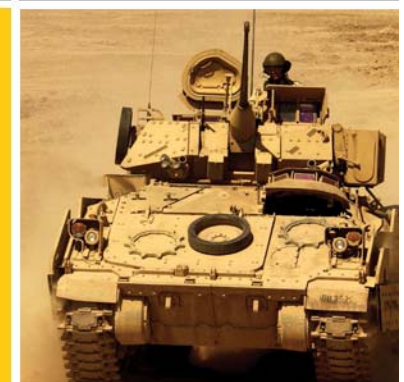


Army Chief Financial Officers Strategic Plan

A-123 Update

1st Quarter FY 2007
In-Process Review
January 25, 2007



ASA(FM&C) Management Services Directorate

- Areas of Responsibility:

- Army's Travel Card program
- Army's Managers' Internal Controls Program (MICP)
 - Federal Managers' Financial Integrity Act (FMFIA) of 1982 Overall Annual (OA) Statement of Assurance, OMB Circular A123- Appendix A, Part I
 - FMFIA Annual Statement of Assurance on Internal Control over Financial Reporting (ICOFR), OMB Circular A123- Appendix A, Part II

- Requirements:

- Internal Controls Management and Reporting
- Material Weaknesses
- Provide Policy, Guidance, Training, Assistance, advise and oversight
- Annual Statements of Assurance FMFIA-OA and ICOFR



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Background

- **Revised OMB Circular A-123, Appendix A, Requires :**

- Annual Assessment of Internal Controls Over Financial Reporting
- Identification, Documentation and Testing of Controls to Prevent Errors and Fraud
- Secretarial Assurance on Internal Control Effectiveness

- **Purpose/Benefits**

- Strengthen Internal Controls over Financial Reporting
- Ensure Reliable Financial Information
- Place Accountability with Senior Management
- Bring Parity in Requirements Between Private and Public Sectors

- **Drivers:**

- Private Industry Accounting Scandals
- Sarbanes-Oxley Act of 2002



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FY-06 Attestation

Fiscal Year 2006 - Annual Assurance Statement on Internal Control over Financial Reporting

“The Army provides no assurance that the internal controls over quarterly and annual financial statement reporting as of June 30, 2006 were operating effectively. The systems deficiencies result in billions of dollars in unsubstantiated accounting adjustments and more than a trillion dollars in abnormal general ledger account balances.”



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Internal Controls Over Financial Reporting

- OMB Circular A-123, Appendix A Implementation:
 - Reporting Process
 - Identification of Key Business and Financial Reporting Processes
 - Establishment of a Senior Assessment Team
 - Preparation of Process Flow Charts and Narratives
 - Preparation of Inherent Risk Assessments
 - Identification of Internal Controls
 - Tests and Evaluations
 - Weakness Dependencies
 - Corrective Action Plans
 - Preparation of FMFIA over Financial Reporting Statement of Assurance. (Reporting Cycle 1 July to 30 June)



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Focus Areas – 2007

- OUSD(C) guidance released guidance on November 16, 2006. Focus areas:
 - Fund Balance with Treasury (2006)
 - Appropriation Received (2006)
 - Investments (2006)
 - Real Property (2006)
 - Military Equipment (2006)
 - FECA Liabilities (2006)
 - Medicare Eligible Retiree Health Care (2006)
 - Environmental Liabilities (2006)
 - Account Payable (2007)
 - Operating Materials and Supply (OM&S) (2007)
 - Inventory (2007)
 - Account Receivable (2007)



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OUSD(C) Deliverables

Deliverables	Due Dates
Process narratives, flow charts, organizational charts, environment control documents , SAT membership and charter	December 18, 2007
Risk Analysis for focus areas	February 1, 2007
List of internal controls and test plan methodology for focus areas	March 20, 2007
Weakness Dependencies Report (in Collaboration Site)	March 20, 2007
Detailed Test Plans (w/o Results) or Corrective action Plans for "High Risk Controls	May 1, 2007
Corrective Action Plans in Tool for Weakness Reported in Collaboration Site	June 1, 2007
Control Analysis Form (w/test results) and all Corrective Action Plans Entered into DoD Financial Improvement Tool	June 29, 2007
Statement of Assurance on Internal Control over Financial Reporting	September 1, 2007



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Current Status

Deliverables Completed

- ✓ DFAS Process narratives, flow charts, organizational charts
- ✓ SAT membership and charter
- ✓ DFAS Risk Analysis

Deliverables Over Due

- Army Process narratives, flow charts, organizational charts
- Environment control documents
- Army Risk Analysis



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Required Actions

- Army must evaluate the internal controls over financial reporting for each focus area.
- Understand and Document Key Processes and Workflow
- Document Controls
- Assess Controls
- Test Controls and Develop Corrective Action Plan to correct deficiencies / material weaknesses
- Report on Controls
- Training



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